



CALIFORNIA Economic Indicators

March–April 2004

More Jobs

April brings some signs of life to California's labor market.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The economic recovery is finally yielding job gains for California, although less than what would be expected in comparison to the nation as a whole. Even though the state's employment gains have been below historical standards, industry employment has grown every month so far this year and the pace is accelerating. Other indicators, such as home sales and construction, have also given signals that more substantial job growth should be forthcoming.

Employment

Nonfarm payroll employment rose by 16,300 in April, and March's gain was revised up to 21,500 from the originally reported 5,200. Even though California accounts for about 11 percent of the nation's total employment, the state's share of the April growth was only 6 percent.

The April advance was very broad, with growth in every major sector except Information. Professional and Business Services added 4,900 jobs; Leisure and Hospitality, 4,700; Government, 4,300; Financial Activities, 3,300; Construction, 1,000; Educational and Health Services, 900; Natural Resources and Mining, 900; Manufacturing, 600; Trade, Transportation and Utilities, 500; and Other Services, 500. Professional and Business Services is California's leading job growth sector. Since the end of 2003 it has accounted for over 30 percent of the state's total job growth. Employment Services (which includes temporary employment agencies) accounted for the vast majority of this sector's growth.

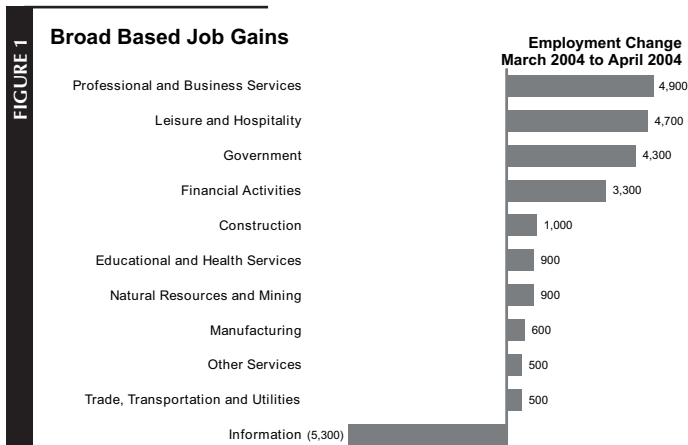
The Information sector lost 5,300 jobs in April, led by reduced motion picture employment. This weakness is surprising given the recent surge in film, television, and commercial production activity that occurred recently in Los Angeles County. Total location production activity in April was up better than 38 percent from a year ago.

No Boost from the Grocery Strike Settlement

The resolution of the Southern California grocery strike appears to have had little impact on overall industry employment. In March—the first month after the strike was settled—the gain in grocery store employment was comparable to gains in past years. The February-to-March gain in Grocery Store employment from 2000 to 2003 averaged 1,075 jobs, or 0.5 percent (using not seasonally adjusted figures). The 2004 March gain was 1,500 jobs, or 0.6 percent. For the most part, it appears that the returning grocery workers displaced temporary workers hired to keep the stores operating during the strike.

INSIDE

California Construction in 2003	3
Economic Indicator Tables	5
Economic Indicator Charts	9
Business Cycles.....	13
Chronology	14



Better Year-Over-Year Gains

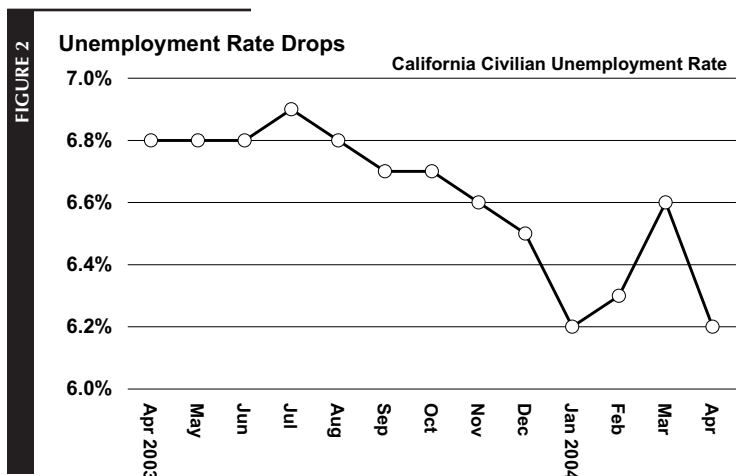
April marks the fourth consecutive month that California employment exceeded its year-ago level. While the gains are modest in historical terms—varying between 0.1 percent in January and 0.5 percent in April—the trend is looking up and the employment situation is clearly improving. On a year-over-year basis, California nonfarm employment rose by 57,100 in Professional and Business Services, 28,400 in Trade, Transportation and Utilities, 25,300 in Construction, 24,100 in Educational and Health Services, 19,100 in Financial Activities, 16,200 in Leisure and Hospitality, and 200 in Natural Resources and Mining. Over the year, employment fell by 40,900 in Government, 33,100 in Manufacturing, 12,900 in Information, and 4,700 in Other Services.

Among California's largest metropolitan areas, Riverside-San Bernardino posted the strongest industry employment gains in April, with 2.1-percent growth from a year ago. Southern California generally led the state with growth rates such as 1.1 percent in San Diego and 0.7 percent in Orange County. Employment was falling at a much more subdued pace than last year in the San Francisco Bay area, where the downturn in employment in the recent recession struck the hardest. From a year ago, nonfarm employment was down 0.7 percent in Oakland; 1.1 percent in San Francisco; and 2.0 percent in San Jose.

Unemployment Improves

California's unemployment rate fell dramatically to 6.2 percent in April from a revised 6.6 percent in March. This drop brings the unemployment rate back in line with the rates established earlier this year. The rate in January was 6.2 percent, followed by 6.3 percent in February. In April, employment expanded by 65,000 and unemployment fell by 70,400.

The national unemployment rate was 5.6 percent in April. This places California's unemployment rate just 0.6 percentage point above the national rate.



Building Activity

Multifamily Construction Boosts The Residential Sector

Homebuilding strengthened in February with multi-family construction nearly doubling. Total residential construction, as measured by permit issuances, reached a seasonally adjusted annual rate of 204,000 units, a 4.7-percent increase from January. A drop in single-family construction was more than made up for by a boost in multifamily construction, reaching 63,000 units from January's 32,000 units.

Nonresidential Building Expands In February

Nonresidential construction also expanded in February—by 2.3 percent as measured by the seasonally adjusted value of permits issued. Expanding office construction made a large contribution to February's gain in addition to store and amusement/recreation building. February's improvement, however, did not make up for a slowdown in January. Nonresidential construction during the first two months of 2004 is down 8.3 percent from the same months of 2003.

Real Estate

Real Estate Remains Strong

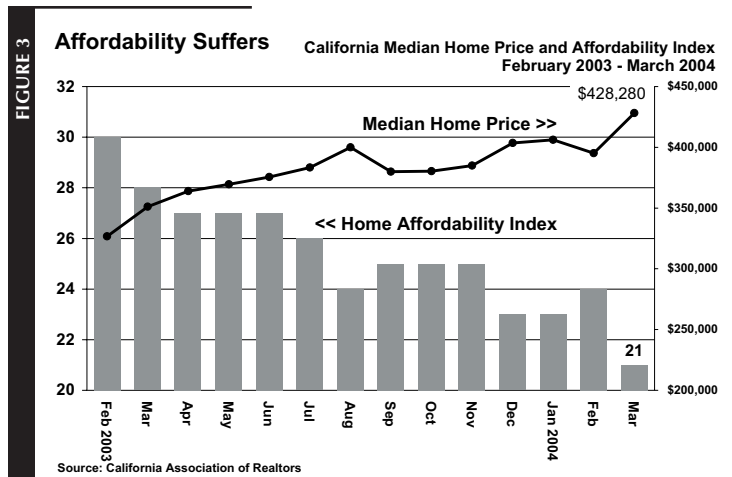
Existing single-family home sales stabilized in March following slowdowns in January and February. Overall, home sales during the first quarter of 2004 are 4.4 percent better than the first quarter of 2003. Home sales during the first quarter averaged 598,367 units on a seasonally adjusted-annual rate basis.

Strong sales growth has also maintained rising home prices. The median price of existing single-family homes sold in March reached \$428,280, more than 21 percent above the March 2003 median.

Affordability Suffers Though

The upward trend of California home prices has taken its toll on affordability. The state's housing affordability index—the percentage of households that can afford to purchase a median-priced home—was 21 percent in March, according to the California Association of Realtors. This is a 3-percentage-point drop from February and is 7 percentage points lower than at this time a year ago.

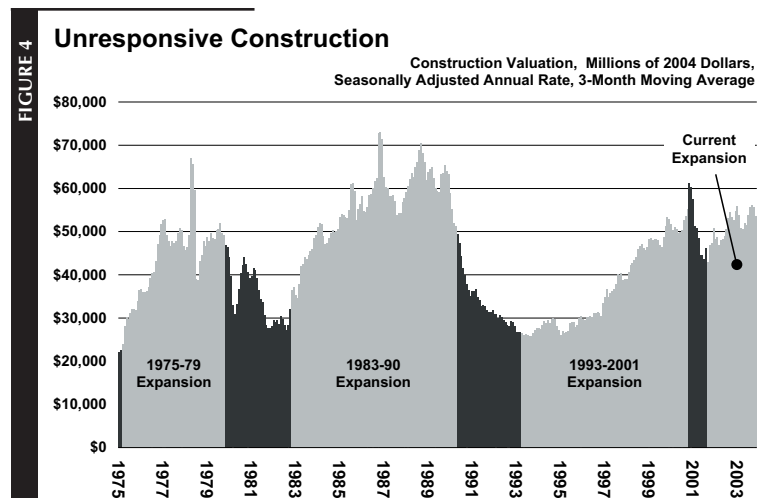
To purchase a median-priced home in California in March, the minimum household income needed was \$97,340¹. The minimum household income needed in March 2003 was \$82,080, when the median price of a home was \$351,130 and the prevailing interest rate was 5.80 percent. The nation's home affordability index in March was 58 percent, and the minimum household income needed was \$39,570.



CALIFORNIA CONSTRUCTION IN 2003

Construction has provided a big boost to the California economy early in the recoveries from most post-World War II recessions. But when this publication looked at the role of California construction in the current recovery in August 2002, it noted that construction was not leading the way, as was the case in the recovery and expansion of 1993-2001. This trend continued during 2003.

Over time, inflation-adjusted construction valuation is volatile, reflecting the expansions and contractions in the overall state economy. Vigorous construction growth followed the recessions of the early 1970s and 1980s. But following the recession in the early 1990s, it was several years before construction returned to its valuation at the beginning of the recession. After the brief 2001 recession, the state is again exhibiting stagnant construction growth into 2004.

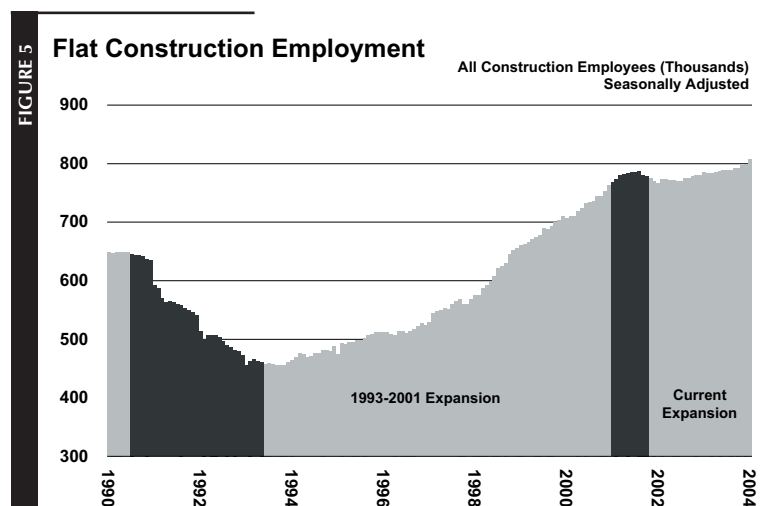


Jobless Construction Recovery

A common theme in the current economic recovery is its jobless nature. As the state's economic recovery has been driven primarily by productivity growth rather than increased work hours, vigorous employment growth has yet to manifest itself.

Employment in the construction industry has fit this description in the current economic environment. Construction employment, which typically represents from 3 percent to 5 percent of industrial employment, has remained relatively flat. Year-over-year construction employment growth during the current recovery ranged from -2.0 percent in July 2002 to a modest 3.3 percent in February 2003.

Additionally, as construction is inextricably linked to other facets of the economy, the industry's effects on employment are not fully captured by employment in the construction industry. Various durable goods industries – which account for an additional 2 percent of nonfarm employment and include lumber and wood products, furniture and fixtures, stone, clay, glass, and fabricated metal products—rely on demand related to construction and occupancy of new homes and nonresidential



¹Based on a typical 30-year, fixed-rate mortgage at 5.48 percent with a 20 percent down payment.

facilities. Furthermore, general employment growth generates an increased need for housing and business facilities.

Shifting Regional Residential Patterns

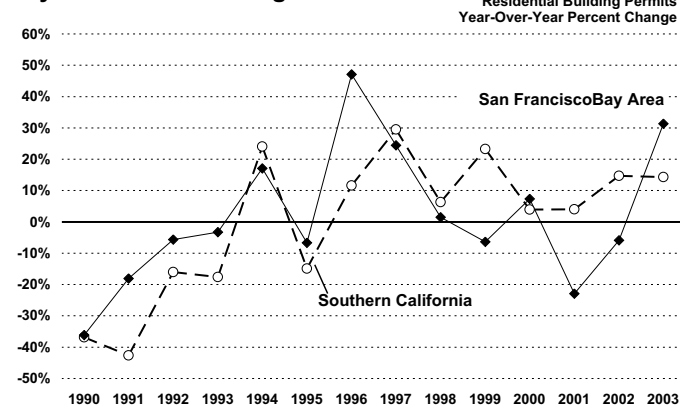
A significant transition took place in regional homebuilding patterns in 2003. Throughout the short 2001 recession and during 2002, Southern California dominated the state's growth in new homebuilding as the number of new units contracted in the Bay Area and expanded in southern metropolitan areas. During 2003, however, in terms of the growth rate of new home construction, the San Francisco Bay Area has surpassed southern metropolitan areas, with home building rising over

30 percent during 2003. This increase is a welcome turnaround from the 22.9-percent drop in 2001 and 5.9-percent drop in 2002. In 2003, home building in Southern California rose 14.3 percent.

Despite a brief slowdown at the beginning of 2003, significant increases in housing prices in all California metropolitan areas have been sustained throughout the current economic expansion. A shortage of housing in some metropolitan areas, combined with high demand supported by near-record low interest rates, have driven the price increases shown in Figure 7 and have instigated debate on the existence of a housing price bubble and a statewide housing shortage. Recent studies quantify the state's net undersupply of housing units at 138,000 (Public Policy Institute of California), 651,000 (California Budget Project), and 548,000 (Fannie Mae Foundation).

FIGURE 6

Bay Area Homebuilding Turnaround



Office Vacancy Rates

State metropolitan areas exhibited mixed changes in office vacancy rates in 2003. The slow recovery in the San Francisco Bay Area has kept office vacancy rates high, and it continues to be a tenant's market. However, the vacancy rate reduction on the peninsula and in Silicon Valley has many hoping that the office market in the San Francisco Bay Area has finally turned a corner.

Office markets in southern metropolitan areas, which fared better during the 2001 recession than those in the Bay Area, exhibited a net decrease in vacancy rates during 2003 to 13.6 percent in the fourth quarter, down from 14.2 percent one year earlier. The Los Angeles metropolitan area was the only market in the region in which the office vacancy rate increased.

FIGURE 7

Housing Price Bubble?

Median Sales Price of Existing Single-Family Homes
Thousands of Dollars
Major Metropolitan Areas

	2002Q4	2003Q4	Change
LOS ANGELES	307.0	382.2	24.5%
ORANGE COUNTY	434.6	526.8	21.2%
SAN DIEGO	379.3	456.7	20.4%
BAY AREA	516.4	574.3	11.2%
SACRAMENTO	225.0	262.2	16.5%
NATION	161.0	171.6	6.6%

Source: National Association of Realtors

FIGURE 8

Mixed Changes in Office Vacancy

Office Vacancy (Percent)
Major Metropolitan Areas

	2001Q1	2002Q1	2002Q4	2003Q4
LOS ANGELES	11.6	13.1	12.4	15.2
ORANGE COUNTY	13.0	17.3	16.3	13.5
VENTURA COUNTY	10.3	12.5	13.8	11.1
SAN DIEGO	7.0	10.3	11.6	11.5
SAN FRANCISCO	7.1	18.1	20.1	20.6
SAN JOSE	5.8	15.6	21.5	19.3
OAKLAND	4.9	12.2	15.1	17.2
SACRAMENTO	6.3	8.8	10.5	12.9
NATION	9.1	14.2	15.6	16.7

Source: CB Richard Ellis

Select Indicators

	2003	2004				Year-Over
	Apr	Jan	Feb	Mar	Apr	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,253	16,480	16,485	16,410	16,475	1.4%
Unemployment (000)	1,193	1,097	1,103	1,151	1,080	-9.5%
Unemployment rate	6.8	6.2	6.3	6.6	6.2	--
Nonagricultural wage and salary employment (000) a/	14,399.4	14,442.7	14,440.4	14,461.9	14,478.2	0.5%
Goods-producing industries	2,366.2	2,354.2	2,356.5	2,356.1	2,358.6	-0.3%
Natural resources and mining	22.1	20.7	21.0	21.4	22.3	0.9%
Construction	784.8	807.1	809.0	809.1	810.1	3.2%
Manufacturing	1,559.3	1,526.4	1,526.5	1,525.6	1,526.2	-2.1%
Service-providing industries	12,033.2	12,088.5	12,083.9	12,105.8	12,119.6	0.7%
Trade, transportation, and utilities	2,715.2	2,731.9	2,728.4	2,743.1	2,743.6	1.0%
Information	472.0	466.2	466.7	464.4	459.1	-2.7%
Financial activities	880.1	890.1	893.2	895.9	899.2	2.2%
Professional and business services	2,096.2	2,135.1	2,142.2	2,148.4	2,153.3	2.7%
Educational and health services	1,535.7	1,558.5	1,555.8	1,558.9	1,559.8	1.6%
Leisure and hospitality	1,394.1	1,404.4	1,406.3	1,405.6	1,410.3	1.2%
Other services	506.6	502.7	499.7	501.4	501.9	-0.9%
Government	2,433.3	2,399.6	2,391.6	2,388.1	2,392.4	-1.7%
High-technology industries b/	882.7	858.8	858.8	859.8	859.1	-2.7%
Computer and electronic products manufacturing	330.9	318.9	319.2	319.6	320.1	-3.3%
Aerospace products and parts manufacturing	73.5	72.3	72.4	73.0	73.4	-0.1%
Software publishers	45.3	43.0	42.9	42.9	42.8	-5.5%
Telecommunications	121.9	117.3	117.1	116.6	115.1	-5.6%
Internet service providers	49.1	48.1	48.0	48.2	48.1	-2.0%
Computer systems design	166.7	163.4	163.0	163.4	163.2	-2.1%
Scientific research and development	95.3	95.8	96.2	96.1	96.4	1.2%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	39.4	39.5	39.9	40.1	39.6	0.5%
Average weekly earnings	\$587.85	\$602.77	\$607.28	\$610.32	\$606.67	3.2%
Average hourly earnings	\$14.92	\$15.26	\$15.22	\$15.22	\$15.32	2.7%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	191.1	n.a.	193.1	n.a.	194.4	1.7%
San Francisco CMSA	197.3	n.a.	198.1	n.a.	198.3	0.5%
Los Angeles CMSA	187.6	188.5	190.1	191.5	191.9	2.3%
Urban Wage Earners and Clerical Workers Series						
California Average	184.6	n.a.	186.4	n.a.	187.9	1.8%
San Francisco CMSA	193.6	n.a.	194.1	n.a.	194.7	0.6%
Los Angeles CMSA	180.9	181.7	183.4	184.9	185.2	2.4%
CONSTRUCTION						
	2003	2004				
	Mar	Dec	Jan	Feb	Mar	
Private residential housing units authorized (000) c/	188	196	194	214	223	18.1%
Single units	130	153	162	145	157	20.1%
Multiple units	58	43	32	69	66	13.5%
Residential building authorized valuation (millions) d/	\$36,349	\$40,140	\$42,286	\$45,078	\$46,121	26.9%
Nonresidential building authorized valuation (millions) d/	\$13,152	\$13,958	\$12,790	\$13,214	\$16,348	24.3%
Nonresidential building authorized valuation (millions) e/	1,041	1,113	949	957	1,285	23.4%
Commercial	340	344	295	305	433	27.5%
Industrial	61	116	82	56	73	20.3%
Other	231	250	190	173	241	4.4%
Alterations and additions	410	402	382	423	537	31.1%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	134,575	153,936	142,566	151,383	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).

b/ Not seasonally adjusted

c/ Seasonally adjusted at annual rate

d/ Seasonally adjusted

e/ Not seasonally adjusted

n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR FOURTH QUARTER 2003 (Percent)

	Office		Office		Office		Industrial	
	Downtown		Suburban		Total		4Q03	4Q02
	4Q03	4Q02	4Q03	4Q02	4Q03	4Q02		
Northern and Central California:								
Oakland	16.8	18.0	17.3	14.4	17.2	15.1	--	--
Sacramento	12.0	7.3	13.2	11.5	12.9	10.5	13.2	15.9
San Francisco	18.5	18.3	25.1	24.4	20.6	20.1	13.1	12.6
San Jose	17.3	19.1	19.9	22.1	19.3	21.5	--	--
Southern California:								
Los Angeles Metro	17.4	16.7	14.7	11.5	15.2	12.4	9.0	9.2
Orange County	--	--	13.5	16.3	13.5	16.3	--	--
San Diego	10.7	10.5	11.7	11.9	11.5	11.6	11.2	9.3
Ventura County	--	--	11.1	13.8	11.1	13.8	--	--
National Average	14.5	13.5	18.0	16.8	16.7	15.6	11.6	11.5

FOREIGN TRADE THROUGH CALIFORNIA PORTS

SALES OF EXISTING SINGLE-FAMILY HOMES

DOD PRIME CONTRACTS a/

		Median Price	Units (SAAR)	Exports (\$ millions)	Imports (\$ millions)			\$ millions	% of U.S.
2001	Jan	\$244,110	502,800	\$12,284	\$19,173	1981-82	\$22,685	21.8%	
	Feb	241,690	486,370	11,595	16,201	1982-83	26,387	22.2%	
	Mar	257,550	518,410	12,390	19,475	1983-84	28,520	23.0%	
	Apr	255,310	495,390	10,492	17,624	1984-85	29,115	20.8%	
	May	255,860	505,590	10,948	16,885	1985-86	27,738	20.4%	
	Jun	266,930	526,570	10,721	18,274	1986-87	24,515	18.4%	
	Jul	267,520	503,030	9,890	18,206	1987-88	23,458	18.7%	
	Aug	282,420	571,070	10,288	18,277	1988-89	23,125	19.3%	
	Sep	275,620	475,380	9,634	17,585	1989-90	22,312	18.4%	
	Oct	263,020	494,920	10,038	19,532	1990-91	24,265	19.5%	
	Nov	270,210	493,870	9,315	17,184	1991-92	23,843	21.2%	
	Dec	281,330	474,490	9,659	15,525	1992-93	22,952	20.1%	
2002	Jan	\$287,080	584,250	\$8,688	\$15,517	1993-94	22,573	20.5%	
	Feb	294,870	610,380	8,429	15,768	1994-95	18,277	16.8%	
	Mar	305,840	586,230	9,945	16,318	1995-96	18,230	16.7%	
	Apr	317,120	643,030	9,274	17,807	1996-97	18,477	17.3%	
	May	319,590	620,300	9,814	17,568	1997-98	17,401	15.9%	
	Jun	324,640	533,840	9,984	18,988	1998-99	17,372	15.1%	
	Jul	321,900	540,800	9,335	18,998	1999-00	18,100	14.7%	
	Aug	334,270	562,780	9,948	19,686	2000-01	19,939	14.7%	
	Sep	322,450	493,800	9,286	19,478	2001-02	23,816	15.0%	
	Oct	324,670	579,240	8,794	18,753	2002-03	28,681	15.0%	
	Nov	328,440	542,120	9,046	20,522				
	Dec	338,840	573,790	8,797	19,060				
2003	Jan	\$336,210	584,600	\$8,408	\$17,588				
	Feb	326,640	566,890	8,423	16,359				
	Mar	352,780	567,610	9,784	18,789				
	Apr	363,930	583,330	9,158	19,151				
	May	369,450	572,270	9,090	18,537				
	Jun	375,610	572,130	9,743	19,774				
	Jul	383,390	595,860	9,604	20,743				
	Aug	400,020	645,720	9,626	19,846				
	Sep	380,040	631,880	8,968	21,060				
	Oct	380,350	636,690	10,341	23,021				
	Nov	384,930	627,190	9,969	21,320				
	Dec	403,570	637,080	10,437	20,528				
2004	Jan	\$406,220	615,660	\$9,062	\$19,996				
	Feb	\$395,060	589,220	9,536	18,011				
	Mar	\$428,280	590,220	11,420	22,589				

a/ U.S. fiscal year: October through September

Leading Indicators/^a

		<u>Manufacturing</u>		<u>Unemployment</u>	<u>New</u>	<u>Housing Unit</u>
		<u>Overtime</u>	<u>Average</u>	<u>Insurance</u>	<u>Business</u>	<u>Authorizations</u>
		<u>Hours</u>	<u>Weekly Hours</u>	<u>Initial Claims</u>	<u>Incorporations</u>	<u>(Thousands)</u>
2001	Jan	4.1	39.9	47,065	7,474	194.6
	Feb	4.2	40.2	51,343	6,465	138.4
	Mar	4.0	39.9	53,726	6,562	146.5
	Apr	3.5	39.5	53,017	6,217	152.7
	May	3.8	39.7	56,205	6,714	152.8
	Jun	3.8	39.3	55,053	6,429	149.0
	Jul	3.8	39.5	55,764	6,494	129.5
	Aug	3.9	39.6	57,542	7,309	158.4
	Sep	3.9	39.5	59,829	6,149	114.3
	Oct	3.7	39.3	64,090	6,933	145.1
	Nov	3.6	39.0	57,914	7,216	141.3
	Dec	3.7	39.3	47,557	6,922	162.8
2002	Jan	3.8	39.0	66,867	7,175	150.8
	Feb	4.0	39.5	55,653	6,932	166.2
	Mar	4.1	40.0	60,564	7,369	147.1
	Apr	4.1	40.0	64,132	7,305	162.4
	May	4.1	39.7	60,539	8,520	156.2
	Jun	4.1	39.9	59,679	7,012	150.1
	Jul	4.0	39.3	63,104	7,174	179.7
	Aug	4.0	39.8	61,589	7,645	164.0
	Sep	3.9	39.8	61,305	7,726	182.8
	Oct	3.7	39.5	63,105	7,929	214.3
	Nov	3.9	39.6	58,190	7,370	188.6
	Dec	3.9	39.7	58,106	7,778	152.3
2003	Jan	3.9	39.7	60,938	7,275	192.8
	Feb	4.0	39.9	58,324	8,809	261.1
	Mar	3.7	39.8	58,847	7,228	188.4
	Apr	3.7	39.8	65,902	7,840	188.0
	May	3.8	39.9	60,158	7,772	210.2
	Jun	3.7	39.9	61,883	7,939	178.6
	Jul	3.9	39.5	61,862	7,913	197.8
	Aug	3.8	39.5	58,148	7,108	174.5
	Sep	3.9	39.4	58,124	8,865	193.4
	Oct	3.7	39.5	60,267	7,802	223.6
	Nov	4.1	40.1	53,659	7,275	185.3
	Dec	3.9	39.4	50,224	8,477	196.1
2004	Jan	4.0	40.1	50,745	7,905	194.5
	Feb	4.2	40.3	49,833	8,869	214.1
	Mar	4.2	40.3	48,368	n.a.	222.5
	Apr	4.6	40.0	n.a.	n.a.	n.a.

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

Coincident Indicators/^a

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2001	Jan	14,715	1,875	4.6	354
	Feb	14,720	1,866	4.7	356
	Mar	14,728	1,855	4.8	364
	Apr	14,666	1,831	4.9	386
	May	14,650	1,812	5.1	413
	Jun	14,641	1,797	5.2	421
	Jul	14,574	1,778	5.3	445
	Aug	14,582	1,761	5.6	471
	Sep	14,525	1,740	5.7	478
	Oct	14,512	1,723	6.0	524
	Nov	14,476	1,704	6.2	512
	Dec	14,449	1,689	6.3	520
2002	Jan	14,433	1,675	6.5	511
	Feb	14,451	1,667	6.6	538
	Mar	14,463	1,662	6.7	527
	Apr	14,466	1,656	6.7	541
	May	14,491	1,652	6.6	553
	Jun	14,470	1,645	6.7	542
	Jul	14,455	1,637	6.7	549
	Aug	14,475	1,629	6.7	530
	Sep	14,462	1,622	6.7	541
	Oct	14,479	1,615	6.7	541
	Nov	14,488	1,605	6.8	509
	Dec	14,462	1,594	6.8	517
2003	Jan	14,430	1,586	6.8	509
	Feb	14,418	1,575	6.8	514
	Mar	14,390	1,564	6.8	511
	Apr	14,399	1,559	6.8	571
	May	14,391	1,550	6.8	540
	Jun	14,389	1,541	6.8	552
	Jul	14,387	1,532	6.9	555
	Aug	14,411	1,528	6.8	535
	Sep	14,408	1,525	6.7	539
	Oct	14,450	1,530	6.7	520
	Nov	14,437	1,529	6.6	509
	Dec	14,417	1,528	6.5	510
2004	Jan	14,443	1,526	6.2	446
	Feb	14,440	1,527	6.3	445
	Mar	14,462	1,526	6.6	434
	Apr	14,478	1,526	6.2	n.a.
		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)	
2001	Qtr I	\$1,147,945	\$663,059	\$111,989	
	Qtr II	1,134,569	651,966	111,275	
	Qtr III	1,121,148	638,918	108,517	
	Qtr IV	1,115,811	634,199	109,442	
2002	Qtr I	\$1,139,572	\$638,577	\$108,528	
	Qtr II	1,154,366	642,158	109,986	
	Qtr III	1,159,633	643,080	111,384	
	Qtr IV	1,167,418	648,558	110,449	
2003	Qtr I	\$1,180,686	\$655,276	\$112,286	
	Qtr II	1,196,416	662,543	113,415	
	Qtr III	1,211,357	671,723	114,874	
	Qtr IV	n.a.	n.a.	113,181	

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

n.a. Not available

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

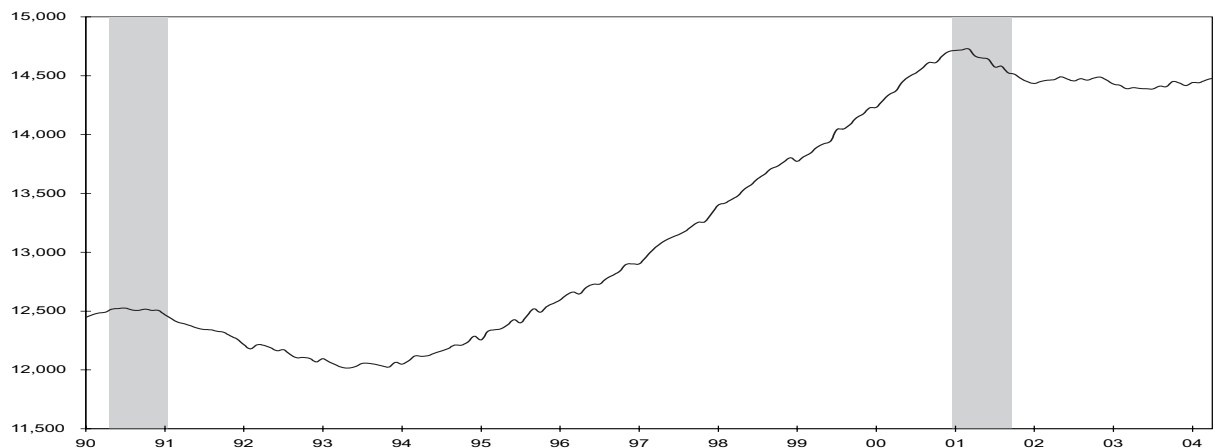
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

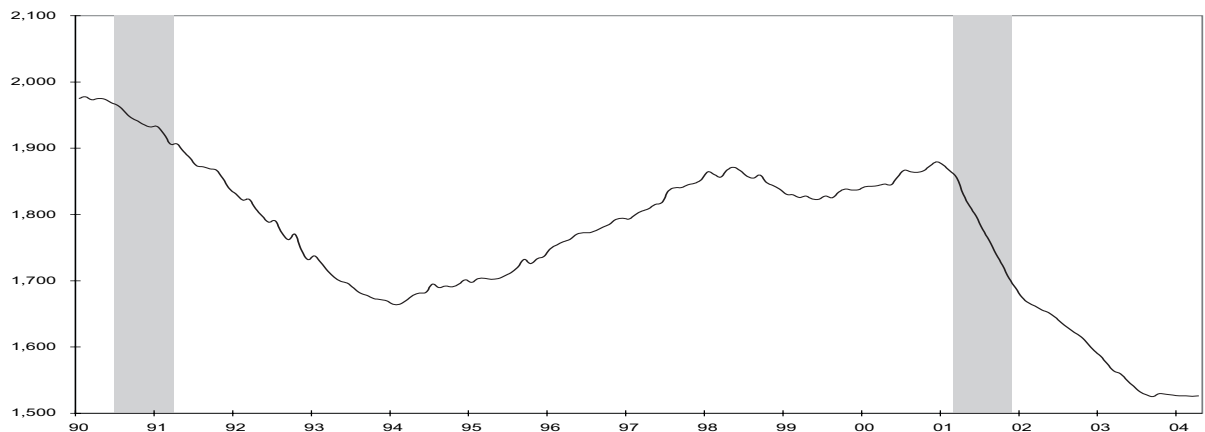
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

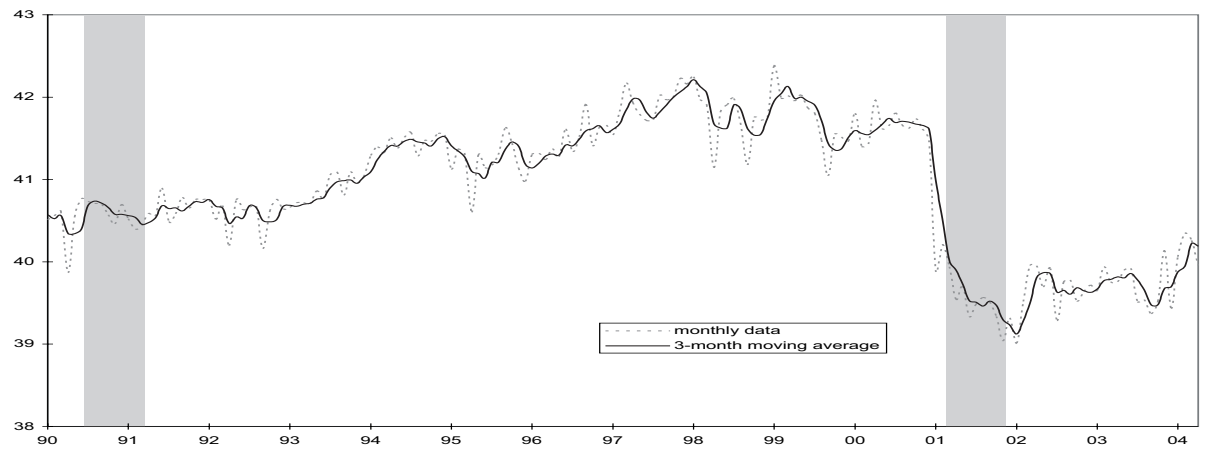
**Nonagricultural
Employment**
(thousands,
Seasonally Adjusted)



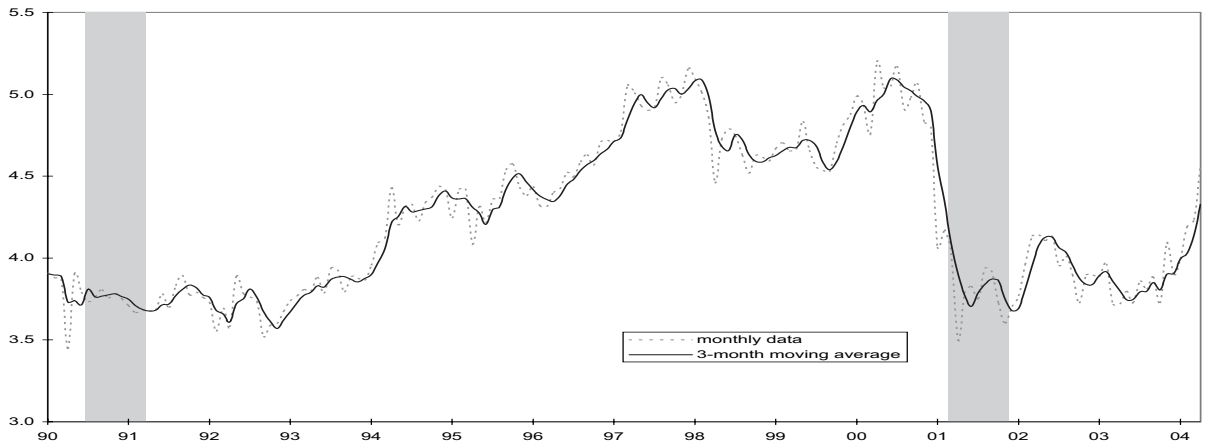
**Manufacturing
Employment**
(thousands,
Seasonally Adjusted)



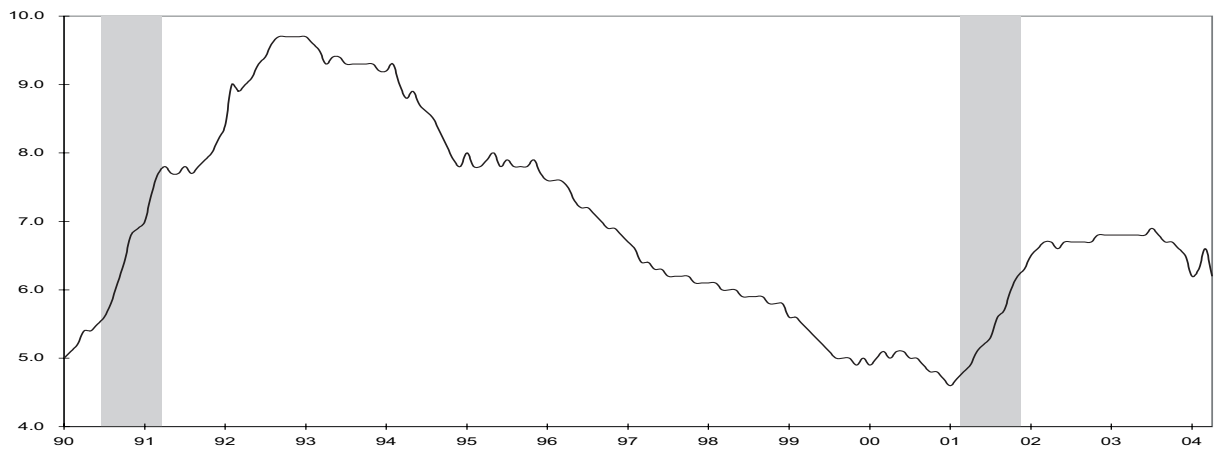
Average
Weekly Hours,
Manufacturing
(Seasonally Adjusted)



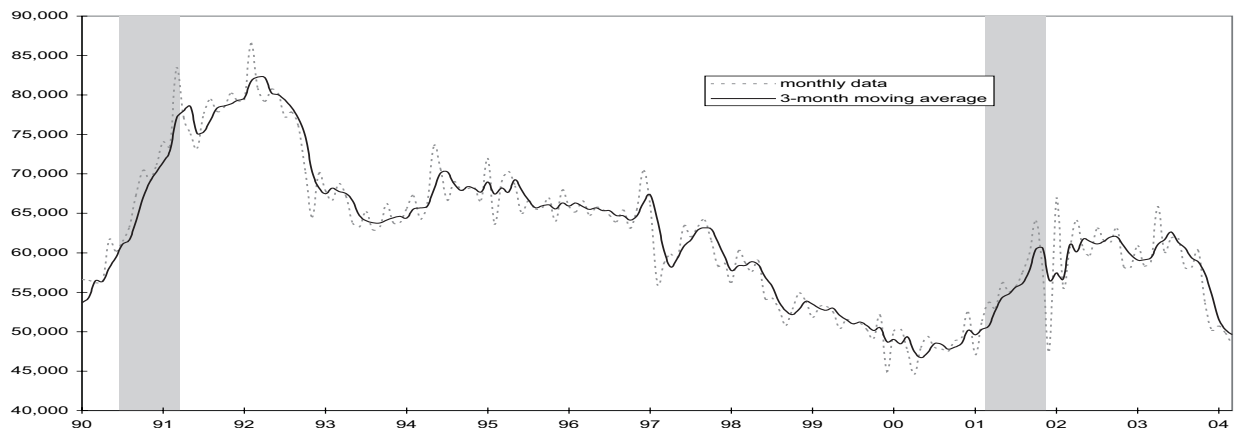
Average
Overtime Hours,
Manufacturing
(Seasonally Adjusted)



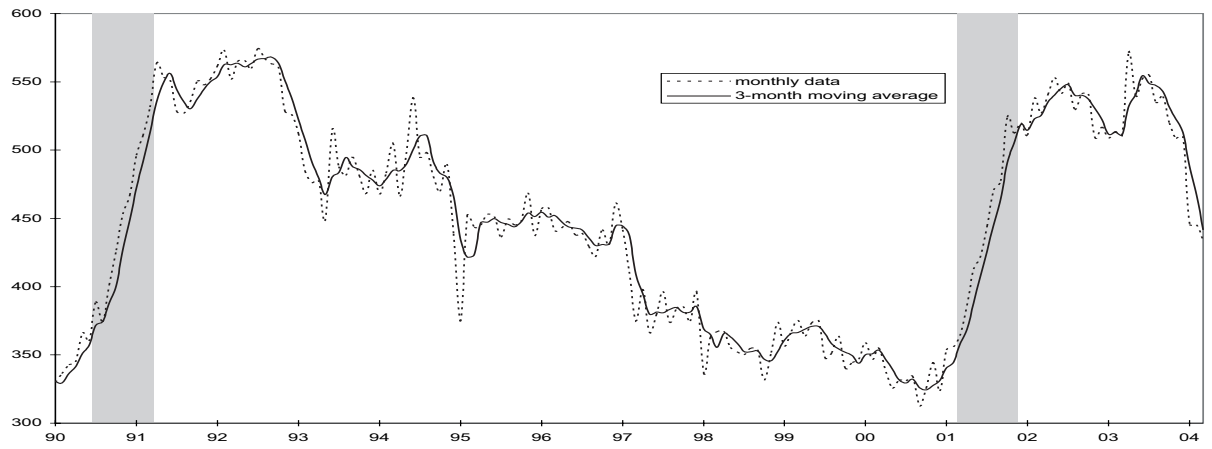
Unemployment
Rate
(Percent)



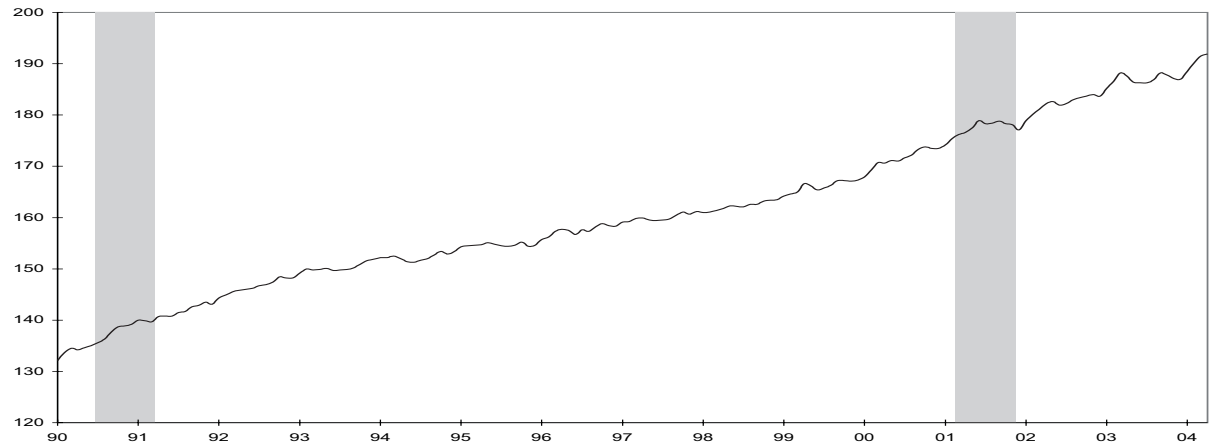
Initial &
Transitional
Claims for
Unemployment
Insurance
(Weekly Average,
Seasonally Adjusted)



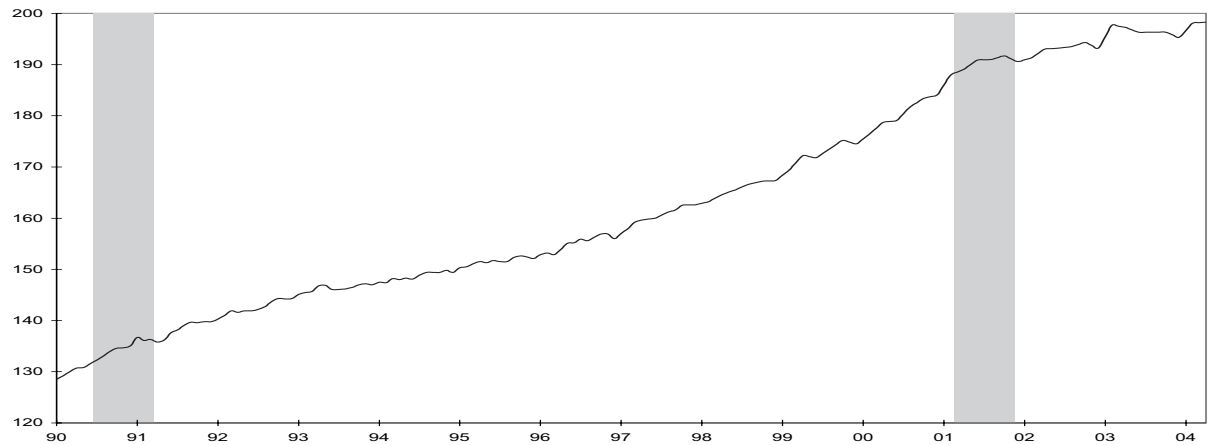
Unemployment,
Average Weeks
Claimed
(thousands,
Seasonally Adjusted)



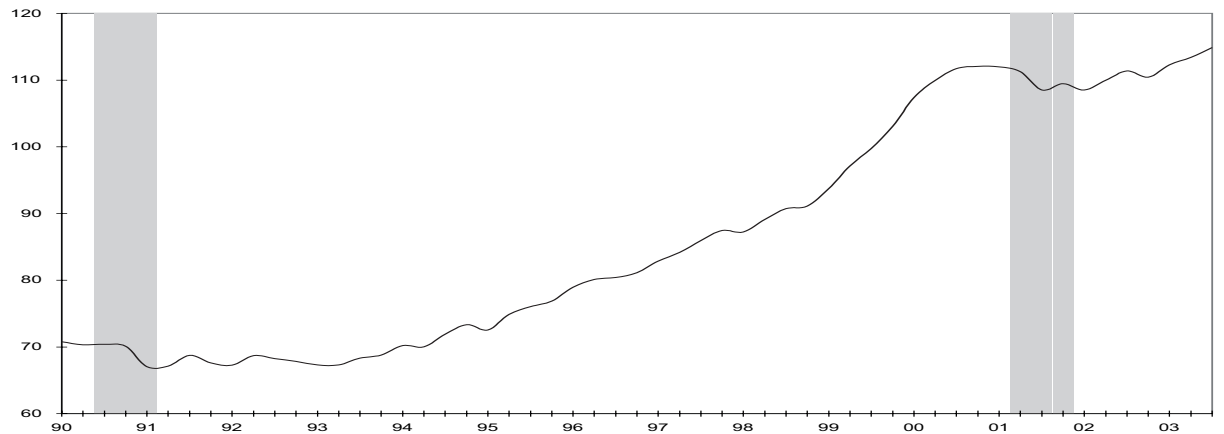
Consumer
Price Index,
Los Angeles
(1982-84=100)



Consumer
Price Index,
San Francisco
(1982-84=100)

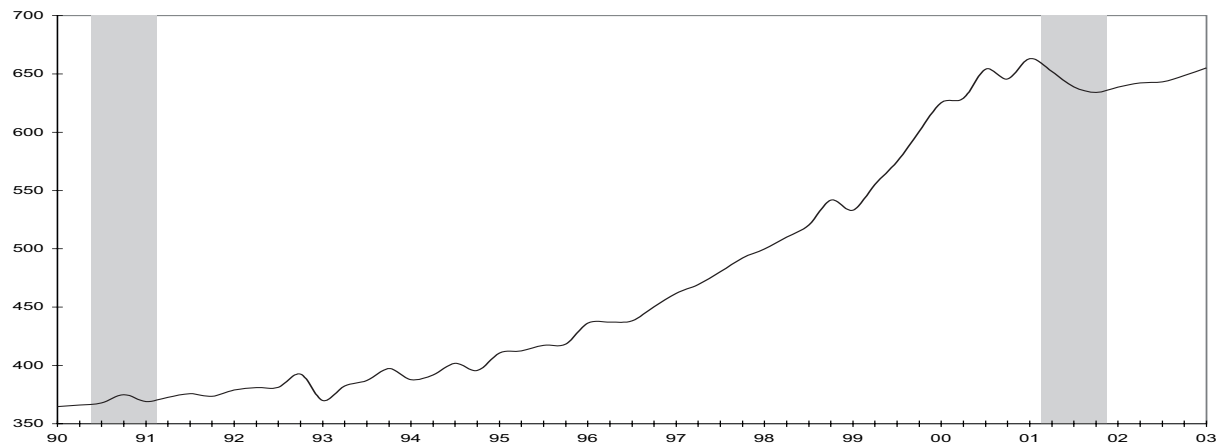


Taxable Sales
(Dollars in billions,
Seasonally Adjusted)



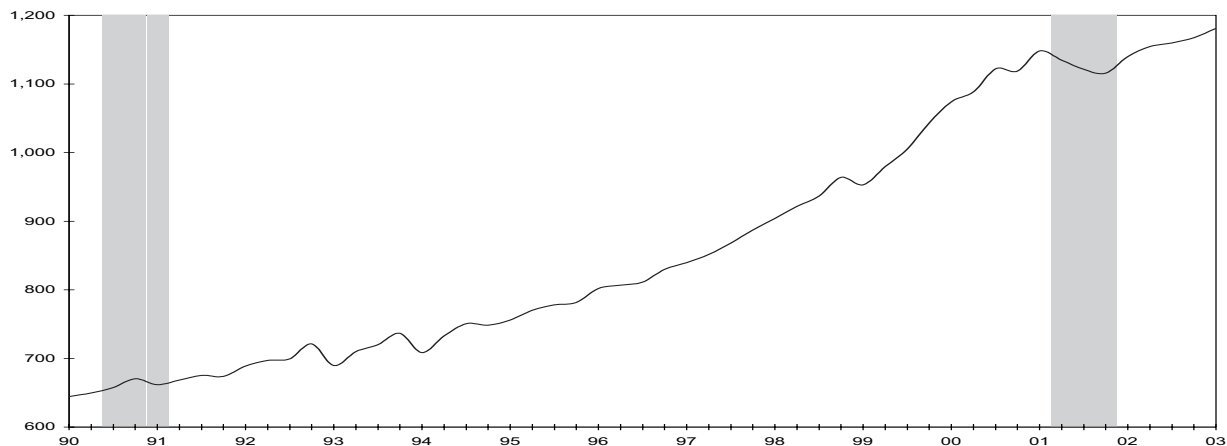
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



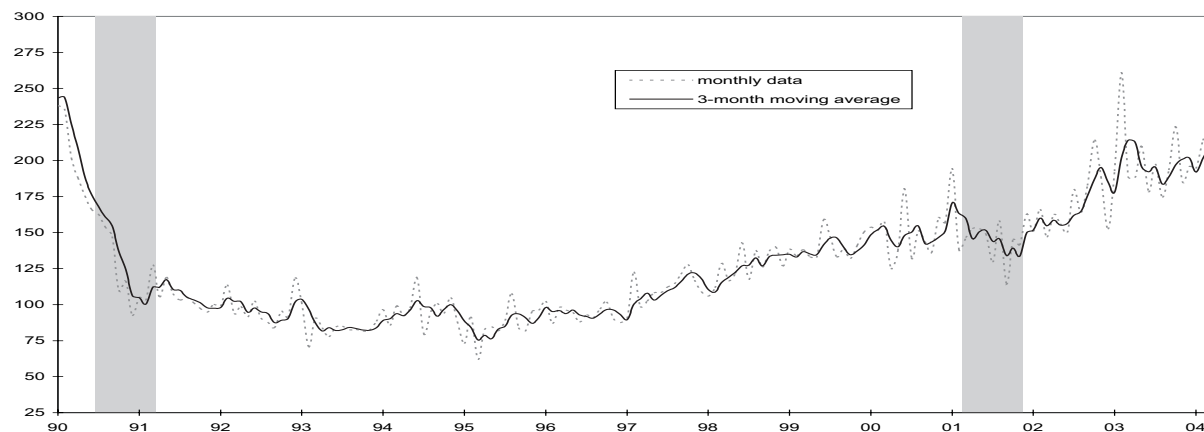
Personal Income

(Dollars in billions, Seasonally Adjusted)



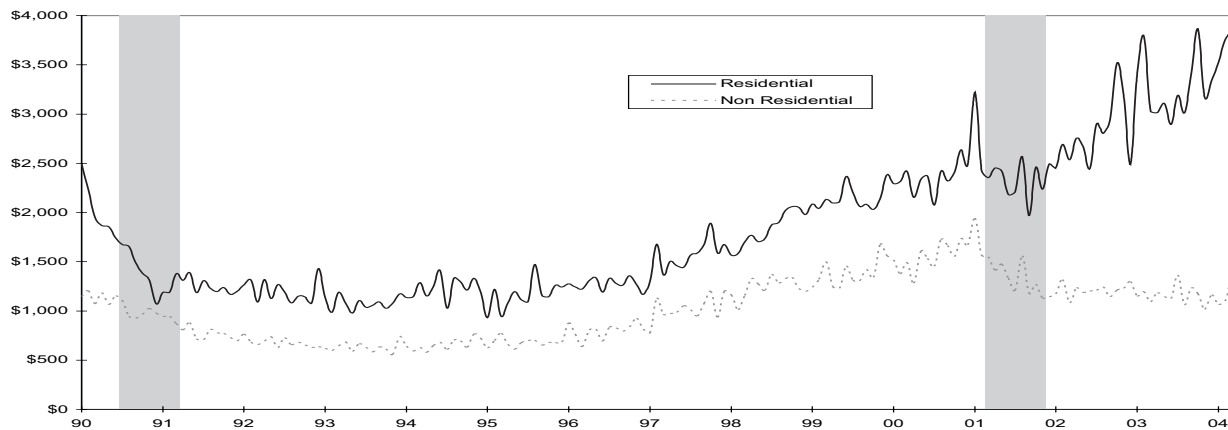
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



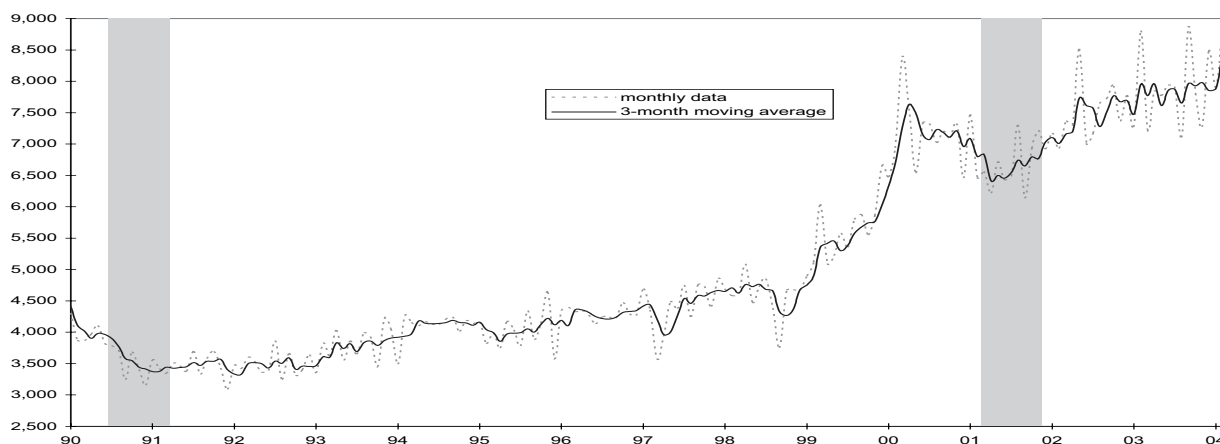
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



BUSINESS CYCLES

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-2001

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128

■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2002

January 1	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
April 25	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
May 13	President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.
July 5	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
July 8	Intel launches its Itanium 2 chip.
July 10	President Bush called for stiffer penalties to eradicate corporate fraud.
July 15	Pfizer to buy Pharmacia.
July 16	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.
July 21	WorldCom filed for bankruptcy protection.
July 22	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
July 30	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
July 31	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters. Venture capital investments hit four-year low.
August 8	IMF signed an emergency loan to Brazil.
August 11	U.S. Airways filed for bankruptcy.
August 20	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
September 27	Cargo operations at 29 West Coast ports ground to a halt

–October 9	when terminal operators locked out unionized workers.
November 6	Federal funds rate reduced from 1.75 percent to 1.25 percent. Discount rate reduced from 1.25 percent to 0.75 percent.
December 9	United Airlines filed for bankruptcy protection.
December 19	Standard & Poor's lowered California's bond rating to an A from an A+.

2003

February 10	Moody's lowered California's bond rating to A2 from A1.
February 14–17	A major snowstorm hit the Middle Atlantic and Eastern states.
February 26	Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).
March 20	Operation Iraqi Freedom begins.
April 9	Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
April 14	President Bush declares conclusion of major combat operations in Iraq.
June 25	Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
June 26	GDP up 1.4 percent in Q1.
July 17	The US recession ended in November 2001, according to NBER.
July 24	S&P lowered California's bond rating from "A" to "BBB".
July 25	United States Treasury begins mailing \$400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody's lowered California's bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2nd quarter.
September 3	Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.
October 21	Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.
October 30	GDP grew by 7.2 percent, its fastest rate since 1984.
December 4	President Bush ends steel tariffs.
December 12	Dow Jones Industrial average closed above 10,000 for the first time since May 24, 2002.
December 13	Saddam Hussein captured by American troops.
December 23	Final report shows GDP grew by 8.2 percent in the third quarter, its fastest rate since 1984.
December 24	U.S. confirms first case of "mad cow" disease.

2004

February 10	Unexpected cut in OPEC quota and cold weather contribute to higher oil prices.
February 11	Dow Jones Industrials closed at highest level in more than 2½ years.
March 25	Fourth quarter GDP rose 4.1 percent.
April 30	International oil prices hit a 3½ year high.

RETURN ADDRESS

California
Department
of Finance

915 L Street
Eighth Floor
Sacramento, CA
95814



TO

INTERNET AVAILABLE

You can obtain the
California Economic
Indicators,
and other
Department of Finance
publications on the
Internet at
www.dof.ca.gov

— . . . —